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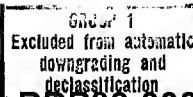
USIB Ad Hoc Working Group on
Soviet Military Expenditures

MEMORANDUM FOR: Chairman Economic Intelligence Committee

SUBJECT : Report on Proposals of General Thomas
(USAF/I) on the Improvement of Economic
Intelligence for Military Planning

1. This memorandum is in response to your request of 23 February that the USIB Ad Hoc Working Group on Soviet Military Expenditures consider and comment on Major General Thomas' proposals concerning the EIC monitoring the uses of economic intelligence in military planning. At the present time this working group includes representatives from CIA, DIA, NSA, State, and USAF.
2. The group heard reports on how foreign weapon costs and other foreign economic data have been used in defense studies and planning documents. Certain cases were noted where economic intelligence apparently had been used without due regard on the part of users, to its confidence limits or reliability. In a number of these cases the misunderstandings may have resulted from inadequacies in the statements of confidence and reliability. Other cases were noted where the particular analytical technique utilized by consumers is subject to criticism rather than the accuracy of the data being used.
3. The group believes that it would be inappropriate for the EIC to attempt to monitor publications and studies prepared by the DoD or other departments or contractors which utilize economic intelligence. The physical magnitude of the task alone would probably make such an effort impractical. The matter addressed by General Thomas is essentially one of the interface between intelligence and planning within the various departments. Misinterpretations of military economic intelligence in planning are most likely to occur in policy documents that are not subject to review by -- and are

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typically not available to -- the EIC. Also, because the EIC responsibility lies primarily in the area of economic intelligence, in many instances it would not be the most appropriate body to review these publications and studies because it would involve it in fields other than economics.

4. The Working Group believes that the EIC can be of assistance in reducing misinterpretations of economic intelligence by ensuring that confidence levels and analytical methods be presented in sufficient detail to make the reliability and limitations of the data clear to the user. To this end the working group recommends:

- a. that the EIC not establish a subcommittee or working group to monitor the uses of economic intelligence reports in military planning or policy documents.
- b. that the member agencies take appropriate steps to ensure that adequate information concerning limitations of the data and methodology used is given in economic intelligence studies, and
- c. that any EIC member who believes that economic intelligence has been used without due attention to its limitations in a planning or policy document be encouraged to bring the instance to the attention of the EIC. The EIC, in turn, will take whatever action its membership deems appropriate on an ad hoc basis.

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Chairman

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